

European market for industrial ethanol grades

4th quarter 2020

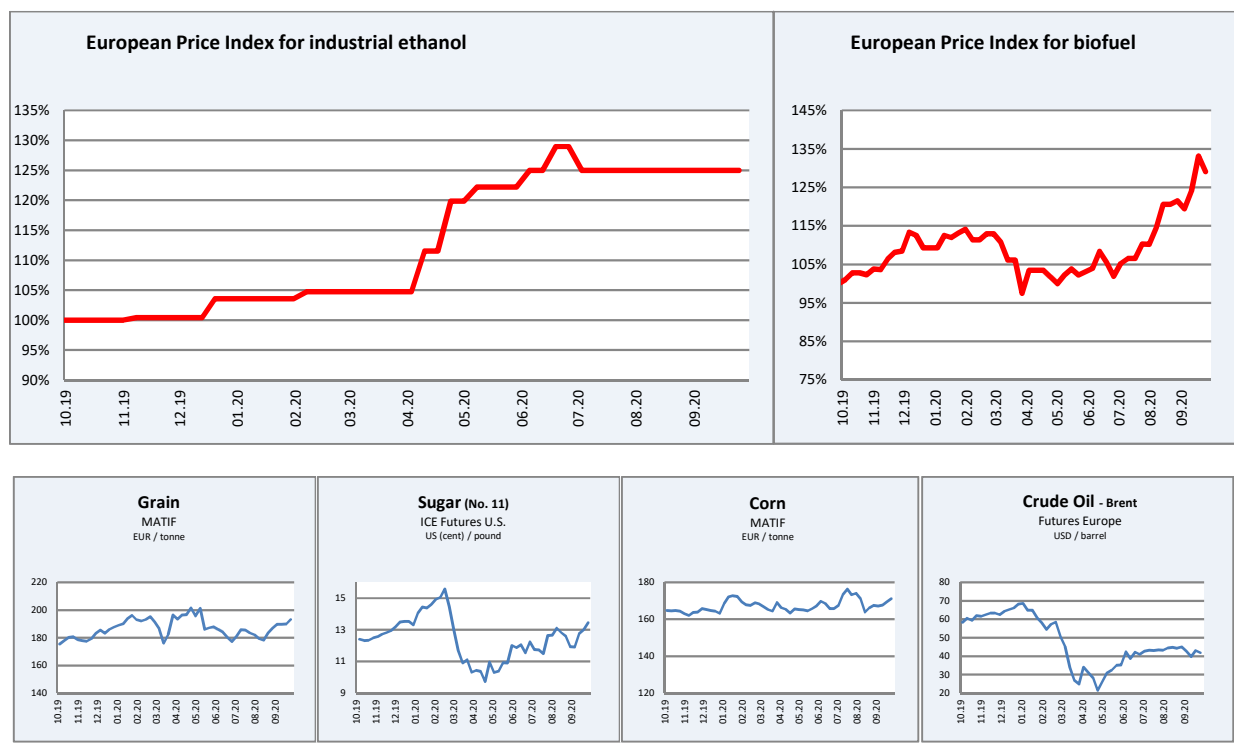
After the enormous price increase in the wake of the Covid-19 crisis this spring, prices for pharma grade ethanol stabilized since summer on this high level. Demand for disinfection products is still high and availability therefore still very tense. We expect availability to remain very tight for the whole winter period 2020/2021. The demand for hand sanitizers will certainly boost again, once lower temperature leads to more indoor activities. Protection concepts in most European countries stipulate the use of hand sanitizers for most indoor events (e.g. restaurants, bars, shopping malls, cinemas). During the summer months and the relatively low infection rates, discipline of the effective usage of the hand sanitizers by the public was relatively poor. But presently it can be observed, that the usage increases again with the rising case numbers and the concerns of a possible 2nd wave. This will lead in our opinion to a significant boost in demand this autumn. We therefore expect prices to remain at least on the current level with a strong possibility that prices could go up by another 2 to 3 Euro/hlap until the end of the year, as availability is really low. Especially the market for dehydrated ethanol grades (A15) is very short and a price increase therefore very likely. In Switzerland, prices will remain most likely on the current level. Market leader Alcosuisse already communicated a guarantee for stable prices until the end of the year.

Long-term situation

For Q1 and the beginning of Q2 next year we expect a market price that will remain on the current high level. There is little chance that the economic crisis could reduce demand for ethanol to such an extent, that the additional demand from the disinfectant sector could be compensated. But at least the very bad economic outlook could mitigate the boost in ethanol demand and therefore avoid another significant increase as seen during the Covid-19 crisis this spring. Nevertheless, as the market is tight worldwide and inventories are very low, we expect availability to remain tight and prices to remain at the increased current level until next summer.

An important role will also play the development of the biofuel price next year. The record peaks of the past months after the record collapse this spring is certainly not sustainable and will sooner or later dampen. The main reason for the summer peaks was the recovery of the traffic volume in Europe and the fact, that a lot of producers throttled their production during the lockdown in spring. In combination with the extensive application of biofuels in the hand sanitizing sector, this led to an enormous shortage. But for next year we expect the biofuel market to get back to a more balanced situation. This will also help to keep prices for pharmaceutical and industrial grades under control, as the extra demand from the hand sanitizer usage could be covered by biofuels, if necessary.

Alcosuisse Market Charts



Note: The Alcosuisse Market Report is based on multiple market sources within the European Union and Switzerland. As one of the largest ethanol buyers in Europe alcosuisse receives regularly up-to-date price and market information from practically all major market players. Nevertheless, all information in this report remains an estimation of future developments that can never be forecasted with an absolute guarantee. Therefore, alcosuisse accepts no liability for decisions based on the content of this report and its charts. Contact: For more information or a firm offer please contact our customer service at info@alcosuisse.ch or call +41 31 309 17 17

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